

Subject 501

Medical and Dental Expense

Medical and dental expenses are payments you make for the diagnosis, cure, relief, treatment, or prevention of disease. They also include payments for treatments affecting any part or function of the body.

Medical expenses include fees paid to doctors, dentists, surgeons, chiropractors, psychiatrists, psychologists, and Christian Science practitioners. Also included are payments for hospital services, medical and hospital insurance premiums, nursing services, therapy treatments, laboratory fees, and prescription medicines, drugs, and insulin. A prescribed drug is one which requires a prescription by a doctor for its use by an individual. Payments for such things as acupuncture treatments, face lifts and other cosmetic surgery can be deducted if a valid medical condition exists where the surgery is necessary. Costs related to treatment centers for drug addicts and alcoholics are also deductible medical expenses.

Medical expenses include the cost of certain items and equipment such as false teeth, eyeglasses, contact lenses, hearing aids, crutches, wheelchairs, and guide dogs for the blind or deaf.

You may not deduct funeral or burial expenses, health club dues, programs to stop smoking or lose weight, over the counter medicines, toothpaste, toiletries, cosmetics, or a trip or program for the general improvement of your health.

Nursing home expenses are allowable as medical expenses in certain instances. If you, your spouse, or your dependent is in a nursing home or home for the aged, and the primary reason for being there is for medical care, the entire cost of the home, including meals and lodging, is a medical expense. If the individual is in the home mainly for personal or family reasons, then only the cost of the actual medical care is a medical expense and the cost of meals and lodging is not deductible.

Transportation costs necessary for medical care qualify as medical expenses. The actual fare for a taxi, bus, train, or ambulance can be deducted. If you use your car for medical transportation, you can deduct actual out-of-pocket expenses such as gas and oil, or you can deduct the standard mileage rate of 10 cents a mile. With either method you use, you may add tolls and parking fees.

You may include in medical expenses the cost of lodging while away from home if the lodging is primarily for and essential to medical care provided by a physician in a licensed hospital or a similar medical facility. The amount you may deduct is limited to \$50 for each night for each person. Lodging is deductible for a person for whom transportation expenses are deductible because that person is traveling with the person for whom transportation expenses are deductible because that person is traveling with the person receiving the medical care. For example, a parent traveling with a sick child. No deduction is allowed for lodging that is lavish or extravagant or has any significant element of personal pleasure, recreation or vacation. The deduction does not include expenses for food - only the cost of lodging.

You may deduct qualified medical expenses you pay for yourself, your spouse, and your dependents. You can also deduct medical expenses you paid for:

- 1) Someone who would have qualified as your dependent except that the person did not meet the gross income or joint return test,
- 2) and a person you claim as a dependent under a multiple support agreement.

If either parent claims a child as a dependent under the rules for divorced or separated parents, each parent may deduct the medical expenses he or she actually pays for the child. Insurance premiums you pay to cover the costs of medical treatment qualify as medical expenses. Here are some examples of the types of insurance premiums that you may deduct:

1. Policies that cover doctors, hospitals, X-rays and laboratory fees
2. Policies that cover prescription drugs
3. Policies covering lost or damaged contact lenses.
4. Membership in an association furnishing co-operative or group medical care. Payments for Medicare B and payments for Medicare A if you are not covered by social security but choose to purchase this coverage.

You may not deduct insurance premiums for life insurance or for policies providing for loss of wages because of illness or injury. If you are self-employed and had a net profit for the year, you can deduct as an adjustment to income on Form AR1000 or AR1000NR, 25% of the amount you pay for medical insurance premiums for yourself and your family.

The medical expenses you list as itemized deductions on Page AR3 must have been paid during the tax year. Your total medical expenses for the year must be reduced by any insurance reimbursement. It makes no difference if you received the reimbursement or if it was paid directly to the doctor or hospital.

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